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September 24, 2008

To: Supervisor Yvonne B. Burke, Chair
Supervisor Gloria Molina
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: William T Fujioka
Chief Executive Officer

DEPARTMENT OF HEALTH SERVICES PROPOSED RESTRUCTURING OF COUNTY PRIMARY CARE SERVICES AND POTENTIAL USE OF ONE-TIME TOBACCO SETTLEMENT FUNDS FOR EXPANSION OF PUBLIC-PRIVATE PARTNERSHIP PROGRAM (AGENDA OF OCTOBER 7, 2008)

On February 19, 2008, on motion by Supervisor Knabe, your Board instructed this Office to provide, among other things, a proposed project plan to expand privatization of County clinic services, including a detailed budget from the beginning of the project to at least three years out; a "Proposition A" analysis required; and an independent analysis of the potential community impact of the change and how to mitigate such impact.

On April 22, 2008, on motion by Supervisor Molina, as amended by Supervisor Yaroslavsky, your Board instructed this Office to report back to the Board on the prospect of redirecting \$44.8 million of Tobacco Settlement funds, that were being used to balance the Department of Health Services (DHS) budget, for the Public-Private Partnership (PPP) contracts, with \$40 million to be implemented as part of a multi-year expansion project over three to five years and \$4.8 million to be earmarked for one-time Capital Infrastructure for the PPPs. This Office and the Director of Health Services were instructed to report back as to how the funds could be invested to enhance the County's PPP network.

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Additionally, on June 17, 2008, on motion by Supervisor Yaroslavsky, your Board instructed the Interim Director of Health Services, with the assistance of the Chief Executive Officer (CEO), to: convene a meeting with the leadership of the Community Clinic Association of Los Angeles County (CCALAC) and its members to further discuss the potential for distributing funds, including new, unallocated funds and unspent year-end funds, on the basis that involves both Service Planning Area (SPA) boundaries and service categories and other factors; and develop alternative methods of addressing unmet needs as noted in the April 22, 2008 PPP Allocation Working Group's (Work Group) report.

While we recently provided separate reports in response to the February 19, 2008 and April 22, 2008 Board directives, this memorandum now provides a coordinated response in order to clarify the plan this Office and DHS are proposing regarding the DHS primary care restructuring and the prospect of one-time funds for the PPP program.

Finally, on June 17, 2008, on motion by Supervisor Molina, your Board also directed that \$33.0 million be taken from the budget of the Martin Luther King Multi-Service Ambulatory Care Center (MLK MACC) and placed in a designated provisional financing uses budget to be used to support infrastructure development and primary and specialty care expansion of the PPP program to address the under-equity in services, or if the visits to the MLK MACC exceed 150,000 per year, these funds can be used to expand care at the MLK MACC.

DHS has provided a separate report regarding their plan to ensure that MLK MACC visits exceed the threshold set in this Board action; therefore, this memorandum does not address the use of those funds.

BACKGROUND

The PPP program is a collaborative effort between the DHS and private, community-based providers to provide quality health care services to the uninsured and under-insured residents of the County. The PPP clinics have been critical partners in the County's effort to provide primary and preventive care and improve community health. The PPPs have demonstrated an alignment with the County's public service mission; an ability to rapidly expand services in underserved areas; high quality services and innovation in chronic disease management; the ability to leverage other public and private funds to offer a continuum of needed services; and cost effectiveness. PPP clinics have indicated that increasing numbers of consumers are choosing to access services at their sites.

The PPP program is administered by the DHS Office of Ambulatory Care and currently includes a budget of over \$54 million which is used to reimburse PPP providers for primary care, dental and specialty services provided to eligible patients.

The Work Group was established in response to your Board's instruction to develop recommendations on an equitable, countywide funding allocation methodology in advance of DHS awarding PPP agreements beginning July 1, 2008. On April 22, 2008 your Board adopted the 2008 Allocation Formula recommended by the Work Group for the distribution of new, unallocated funds in order to reduce variances between current distribution of funds and to address regional inequities in the distribution of PPP funds.

In light of continued discussion on the DHS proposal to transition primary care from County clinics to PPPs, the Work Group also recommended that the agreements beginning in Fiscal Year (FY) 2008-09 should have terms of two years with a one-year option for extension rather than the up to five years as indicated in the Request for Proposal (RFP) that was issued by DHS in May of 2006. This recommendation was implemented by your Board's action on June 17, 2008, approving agreements with terms of two years with a one-year option.

ONE-TIME FUNDS FOR PPP EXPANSION AND PRIMARY CARE RESTRUCTURING

As reported separately to your Board, we have identified \$3.5 million of the \$44.8 million in one-time Tobacco Settlement Funds which can be set aside in the DHS FY 2008-09 budget through the Supplemental Changes phase of the budget process. While we have earmarked these funds, pending development of specific recommendations for your Board regarding its use for PPP infrastructure and capacity development, we understand that the efforts outlined below will certainly require additional funds.

Therefore, we will provide your Board with recommendations, under separate cover, regarding the set-aside of an additional \$41.3 million in one-time funds for this purpose. Our recommendations will propose the set aside of \$18.2 million in one-time funds from the Designation for Health Future Financing Requirements and of \$23.1 million in fund balance to be placed in the Provisional Financing Uses (PFU) for Health Services/PPPs. A request to approve the set aside of these funds in the PFU will be presented to your Board on October 7, 2008. The recommended use of these funds will be incorporated into the reports to be presented to your Board in accordance with the timeframes identified below.

PLAN FOR RESTRUCTURING OF PRIMARY CARE

As indicated earlier, this memorandum provides our coordinated response to your Board's February 19, 2008, April 22, 2008, and June 17, 2008 actions as a strategic plan to enhance the County's provision of primary care. The plan outlined below will be presented for consideration at your Board's October 7, 2008 meeting.

This Office has worked with DHS to analyze two components of the primary care service delivery network. These include expansion of the PPP program and privatization of DHS provided primary care.

- PPP Program Expansion – Increase the number of visits that DHS contracts for through the PPP program in under-equity areas with no overall decrease in DHS provided primary care visits.
- Privatization of DHS Provided Primary Care – Reduction in primary care provided by DHS and a corresponding visit-for-visit increase in the number of visits for indigent patients that DHS contracts for through the PPP program.

Community Stakeholder Input

Community and stakeholder input is critical to the development of this plan and its implementation. This Office and DHS have initiated discussions with PPP providers and representatives of CCALAC and health advocacy groups to outline the issues which need to be addressed as the County proceeds with the process described below.

Further, as directed by your Board, DHS and this Office has conducted meetings with PPP providers and other stakeholders on the potential use of one-time Tobacco Settlement funds, and in those discussions, identified a wide range of issues that need to be addressed, including the critical need for additional funds for the program.

In order to facilitate the community stakeholder process in developing recommendations for your Board's consideration on the use of one-time funds and ways to address both the regional inequities identified in the Work Group's report and the proposals below, we will establish a planning team similar in membership to the DHS-led group in your Board's June 17, 2008 action, consisting of representatives from DHS, CEO and CCALAC. We propose that at least one session be led by a professional facilitator approved by all parties. Recommendations from this planning team will be incorporated into the reports to be presented to your Board as noted below.

PPP Program Expansion

Through expansion of the PPP program, the County would be able to increase the number of health care visits in DHS contracts, with no decrease in DHS primary care visits currently provided. In addition to the Work Group's recommendations noted above, the most often mentioned and emphasized need was additional funding to meet the patient care needs of Los Angeles County.

In accordance with our Board's instruction to this Office and DHS, we are proposing the use of one-time funds, as indicated above, for the PPP contracts DHS is developing a PPP expansion plan and is targeting November 25, 2008, to present recommendations to your Board. This will provide sufficient time for your Board to consider and determine, as a matter of policy, the use of these funds. The proposed plan will include recommendations regarding the distribution of funds over the next three to five years; the use of unspent FY 2007-08 monies; the amount that should be allocated for infrastructure/capacity building, primary and specialty care visits; and provider eligibility requirements.

In addition, the plan will address the following recommendations provided by PPP providers and other stakeholders: conduct future RFPs so they are targeted for agencies to provide services only in under-equity SPAs; consider distribution of funds on bases other than SPA boundaries; and conduct further review on issues regarding "SPA of residence" compared to "SPA of services," to develop alternative methods of addressing unmet need and distribution of funds.

The timeline for the expansion plan is as follows:

Date	Item
October-November 2008	Obtain stakeholder input on allocation of funds and prepare recommendations.
November 25, 2008	Present recommendations to the Board.
January 2009	Tentative timeframe for release of solicitation documents for visit expansion and/or infrastructure improvements.
February 2009	Tentative timeframe for solicitation responses due to DHS.
April 2009	Tentative timeframe for visit expansion and infrastructure improvement awards announced.
June 2009	Tentative timeframe to recommend contracts, on case by case basis, to the Board of Supervisors for approval.

Proposed Privatization

Based on the discussion held by the Board at the September 16, 2008 Board meeting, this Office has worked with DHS and incorporated your Board's concerns into the plan proposed below. Initially, DHS proposes that privatization be considered for a limited number of facilities. It should be noted that we are committed to expanding privatization to other County facilities only when we can demonstrate to your Board that the services that County residents would receive are as good or better and at less cost, than the services that are provided under DHS operation. This principle was clearly conveyed by your Board and we are in agreement that this is a critical component in the issue of privatization.

Under the proposed plan, DHS will: 1) identify a clinic that meets proposed privatization guidelines; 2) release a solicitation document to identify interested agencies; 3) assess solicitation responses; 4) obtain stakeholder input, including a public hearing to obtain testimony on the community impact of the proposed privatization, to be patterned after Attorney General hearings on non-profit hospital conversions, and advise your Board of the public comments and DHS' response; 5) conduct a complete Proposition A analysis and prepare a detailed budget and timeline; and 6) if appropriate, recommend and submit to your Board for approval the proposed privatization contract.

Privatization Guidelines: The following guidelines have been developed for this initial privatization plan:

- The PPP visits would be provided in the same geographical area where the DHS visits are currently being provided.
- Agencies must meet the requirements to be a PPP Program Strategic Partner which include being a Federally Qualified Health Center (FQHC); FQHC Look-Alike, or meets all of the requirements of a FQHC Look-Alike excluding the governance requirements; having been licensed and providing primary care for at least ten years; and being in good standing and fiscally stable.
- Only Health Centers will be considered at this time as there is much more complexity associated with privatizing primary care in Comprehensive Health Centers.
- Only Health Centers in over-equity SPAs will be considered at this time. Health Centers in the under-equity SPAs are currently being considered for an expansion of the PPP program and under-equity SPA PPP resources should be prioritized for the expansion, not privatization.

Based on the guidelines noted above, the Glendale Health Center and San Fernando Health Center are the only two sites that have been identified; therefore, we recommend that both Health Centers be considered for initial privatization.

It should be noted that we have not provided a detailed budget; the Proposition A analysis; or analysis prepared by independent experts of the potential community impact at this time as we are not at that point in the process. However, should we move forward with the Glendale and San Fernando Health Center assessment, such analysis will be conducted as noted in the timeline below.

The timeline for the proposed Glendale and San Fernando Health Center project is as follows:

Date	Item
October 2008	Release solicitation documents to identify agencies interested in providing primary care to patients receiving services in Glendale and San Fernando Health Centers.
November 2008	Deadline for agencies to respond to solicitations.
November 2008 - January 2009	Conduct simultaneous non-competitive negotiations with agencies that responded to the solicitation.
December 2008	Hold public hearing to obtain testimony on the community impact of the proposed pilot project, patterned after Attorney General hearings on non-profit hospital conversions. Inform Board of public comments and DHS response.
December 2008	Complete Proposition A analysis and detailed budget and timeline.
February 2009 or later	Recommend contract(s) to the Board of Supervisors for approval. Actual contract effective date to be negotiated with agency.

IMPACT ON COUNTY WORKFORCE

This Office and DHS recognize the potential impact on the County workforce if DHS proceeds with the proposed privatization. We are committed to working with union leadership on a parallel path to develop plans to address these issues. Our reports to the Board as indicated above will incorporate this plan and our recommendations.

Each Supervisor
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If you have any questions, please contact me or your staff may contact Latisha Thompson of this Office at (213) 974-1157, or at ltompson@ceo.lacounty.gov or Cheri Todoroff with DHS at (213) 240-8272, or at ctodoroff@dhs.lacounty.gov.

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